

MARULENG LOCAL MUNICIPALITY



**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

Annual Financial Statements

for

MARULENG LOCAL MUNICIPALITY

for the year ended 30 June 2010

Province:

Limpopo

AFS rounding:

R (i.e. only cents)

Contact Information:

Name of Municipal Manager:	R J Ramothwala
Name of Chief Financial Officer:	R M Ngoveni
Contact telephone number:	0746063135
Contact e-mail address:	ngovenir@maruleng.gov.za
Name of contact at provincial treasury:	E Mabunda
Contact telephone number:	015 291 8519
Contact e-mail address:	80201504@treasury.limpopo.gov.za
Name of relevant Auditor:	Auditor General of South Africa
Contact telephone number:	015 299 4424
Contact e-mail address:	cstoumann@agsa.co.za
Name of contact at National Treasury:	Thomas Matjeni
Contact telephone number:	012 315 5792
Contact e-mail address:	thomas.matjeni@treasury.gov.za

MARULENG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS

30 JUNE 2010

General information

Members of the Council

M J Mafogo

Mayor

M Lewele

Speaker

M E Mametja

Members of the Executive Committee

G G Madike

M R Mankgela

C N Sekgobela

N S Rakgoale

Members

B Mohlabe

M P Mashumu (Chief Whip)

P E Shai

E C Du Preez

N R Maile

N M Mathaba

M A Palane

T J Letsoalo

M B Popela

M P Raganya

A Palane

L J Mohlala

M J Mohlala

N L Mafoflogela

P A Mafoflogela

M S Malale

M G Ralepelle

Municipal Manager

R J Ramothwala

Chief Financial Officer

R M Ngoveni

Grading of Local Authority

3

Auditors

Auditor-General

Bankers

Standard Bank

MARULENG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
30 JUNE 2010

General information (continued)

Registered Office:	Municipal Offices
Physical address:	65 Springbok St./-str. 65 Hoedspruit 1380
Postal address:	P.O. Box/Posbus 627 Hoedspruit 1380
Telephone number:	(015) 793 2409
Fax number:	(015) 793 2341
E-mail address:	ngovenir@maruleng.gov.za

**MARULENG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS**

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 33, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 20 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

**R J RAMOTHWALA
MUNICIPAL MANAGER**

DATE

**MARULENG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS**

INDEX

CONTENTS	Page
STATEMENT OF FINANCIAL POSITION	1
STATEMENT OF FINANCIAL PERFORMANCE	2
STATEMENT OF CHANGES IN NET ASSETS	3
STATEMENT OF CASHFLOWS	4
NOTES TO THE ANNUAL FINANCIAL STATEMENTS	5
APPENDICES	
A ANALYSIS OF PROPERTY PLANT AND EQUIPMENT	28
B SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT	29
C SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE	30
D(1) ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)	31
D(2) ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)	32
E DEVIATION FROM SUPPLY CHAIN PROCESSES	33

MARULENG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2009

		2010	2009
	Note	R	R
ASSETS			
Current assets			
Inventories	2	361 356	219 603
Consumer debtors	3	6 175 398	5 595 249
Other receivables	4	424 063	728 834
VAT receivable	5	311 111	672 627
Cash and cash equivalents	6	10 612 796	3 744 273
Non-current assets			
Property, plant & equipment	7	78 249 306	58 728 704
Intangible assets	8	33 000	-
Total assets		96 167 030	69 689 290
LIABILITIES			
Current liabilities			
Bank overdraft	2	-	736 947
Trade and other payables	9	5 994 844	4 541 297
Consumer deposits	10	138 936	135 063
Unspent conditional grants and receipts	11	5 648 171	1 959 574
Provision	12	366 190	366 190
Current portion of finance lease obligation	13	121 131	92 980
Non-current liabilities			
Finance lease liability	13	125 819	17 304
Total liabilities		12 395 092	7 849 355
		83 771 938	61 839 935
Net Assets			
Accumulated surplus/(deficit)		83 771 938	61 839 935
		83 771 938	61 839 935

MARULENG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

	Note	2010 R	2009 R
REVENUE			
Property rates	14	8 411 056	6 566 358
Service charges	15	4 010 548	3 653 449
Finance income	16	159 067	429 517
Government grants and subsidies received - operating	17	38 563 959	32 348 266
Government grants and subsidies received - capital	17	16 368 974	20 785 000
Rental of facilities and equipment		487 679	358 277
Fines		1 378	354
Agency fees		1 886 837	825 465
Other revenue	18	2 380 088	629 817
Total Revenue		72 269 586	65 596 503
EXPENDITURE			
Employee related costs	19	23 105 960	20 030 832
Remuneration of councillors	20	5 346 112	4 967 970
Depreciation and amortisation expense	21	4 024 621	2 147 418
Finance cost	22	46 484	20 838
Repairs and maintenance		1 016 606	1 656 850
Bulk purchases	23	1 244 094	796 584
General expenses	24	11 966 291	13 345 223
Contracted services	25	3 581 114	2 990 918
Total Expenditure		50 331 281	45 956 633
Gain/(Loss) on disposal of assets	25	(6 302)	(138 192)
NET SURPLUS/(DEFICIT) FOR THE YEAR		21 932 003	19 501 678

MARULENG LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

	Pre GRAP Reserves & Funds	Accumulated Surplus/ (Deficit)	Total: Net Assets
	R	R	R
Balance at 1 July 2008	56 993 014	5 247 775	62 240 789
GRAP implementation (note 26)	(56 993 014)	36 572 864	(20 420 150)
Restated balance	-	41 820 639	41 820 639
Surplus/(deficit) for the period		19 501 678	19 501 678
Previous years adjustments		517 618	517 618
Balance at 30 June 2009	-	61 839 935	61 839 935
Changes in equity for 2010			
Surplus/(deficit) for the period		21 932 003	21 932 003
Balance at 30 June 2010	-	83 771 938	83 771 938

MARULENG LOCAL MUNICIPALITY
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2009

	Note	2010 R	2009 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and others		75 889 127	49 455 427
Cash paid to suppliers and employees		(44 948 382)	(43 837 650)
Cash generated from / (utilized in) operations	27	<u>30 940 745</u>	<u>5 617 777</u>
Finance income		159 067	429 517
Finance costs		(46 484)	(20 838)
Net cash from operating activities		<u>31 053 329</u>	<u>6 026 456</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and other assets		(23 584 525)	(9 557 698)
Net cash used in investing activities		<u>(23 584 525)</u>	<u>(9 557 698)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Raising/(payment) of finance lease liabilities		136 666	(100 314)
Net cash used in financing activities		<u>136 666</u>	<u>(100 314)</u>
Increase/(decrease) in cash and cash equivalents		<u>7 605 470</u>	<u>(3 631 556)</u>
Cash and cash equivalents at beginning of the year		3 007 326	6 638 882
Cash and cash equivalents at end of the year		10 612 796	3 007 326

MARULENG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated.

These annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

GRAP and GAAP standards are fundamentally different to the fund accounting policies adopted in the previous financial years. Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GRAP is set out in Note 26.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

ISSUED BUT NOT YET EFFECTIVE	STANDARD APPLIED
GRAP 18 Segment Reporting	Not applicable
GRAP 21 Impairment of non-cash-generating assets	IAS 36
GRAP 23 Revenue from Non-Exchange Transactions	GAMAP 9
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007	Not applicable
GRAP 25 Employee Benefits	IAS 19
GRAP 26 Impairment of cash generating assets	IAS 36
GRAP 103 Heritage Assets	Not applicable

MARULENG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.6 PROPERTY, PLANT & EQUIPMENT

1.6.1 Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. Including import duties and non-refundable taxes.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.6.2 Subsequent measurement - revaluation model (land and buildings)

Subsequently land and buildings are stated at revalued amounts, being the fair value of the land and buildings at the date of revaluation less subsequent accumulated depreciation and impairment losses in respect of buildings only.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of land and buildings as a result of a revaluation is recognised as an expense unless there is a revaluation surplus in the reserve account. Any amount in excess of the revaluation surplus is recognised as an expense.

1.6.3 Subsequent measurement - cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.6.4 Depreciation and impairment

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful lives of the asset. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

MARULENG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.6 PROPERTY, PLANT & EQUIPMENT (cont)

Infrastructure Assets	Years
Roads, pavements, bridges and storm water	10 - 45
Street names, signs and parking meters	5
Water reservoirs and reticulation	15-20
Refuse sites	15
Security measures	5
Community Assets	
Parks and gardens	10-30
Sport fields	20-30
Community halls	30
Libraries	30
Recreation facilities	30
Cemeteries	30
Other Assets	
Motor vehicles	5 -10
Plant and equipment	5 -10
IT equipment	5
Office equipment	5
Specialised vehicles	20
Finance lease assets	
Office equipment	3 -5

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Heritage assets are assets that are defined as culturally significant resources and are not depreciated as they are regarded as having an infinite life which are shown at cost. However, if improvements to heritage assets are conducted and registered as sub-assets and the useful life of the improvements can be determined, the depreciation charge of the relevant property, plant and equipment category is used for the depreciation of the sub-asset which was capitalised against the heritage asset.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance. (Impairment loss of a revalued asset is treated as a revaluation decrease).

1.6.5 Derogation

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The municipality has taken advantage of the transitional provisions in Directive 4 of February 2008, on initial adoption of the standard of GRAP to comply fully with this standard.

1.7 INTANGIBLE ASSETS

1.7.1 Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition.

MARULENG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.7 INTANGIBLE ASSETS (cont)

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.7.2 Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test, and the useful life is reviewed at each reporting date, and if the useful life has changed from indefinite and definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

1.7.3 Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

	Years
Licences	3
Computer software	3

Each item of intangible asset is amortised separately.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

1.7.4 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.8 NON-CURRENT ASSETS HELD FOR SALE

1.8.1 Initial recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.8.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.9 INVENTORIES

1.9.1 Initial recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

MARULENG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.9 INVENTORIES

1.9.2. Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

The municipality has taken advantage of the transitional provisions in Directive 4 of February 2008, on initial adoption of the standard of GRAP on Investment Property, GRAP 12, to comply fully with this standard.

1.10 FINANCIAL INSTRUMENTS

1.10.1 Initial recognition

Financial instruments are initially measured at fair value, plus, (in the case of financial instruments not at fair value through profit or loss transaction costs). The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with IAS 39, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

1.10.2. Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

The Entity classifies its financial assets into the following categories:

- held-to-maturity;
- loans and receivables;
- available-for-sale; and
- fair value through profit and loss.

The classification depends on the purpose for which the financial asset is acquired, and is as follows:

- Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity, where the Entity has the positive intent and ability to hold the investment to maturity. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.
- Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.
- Available-for-sale financial assets are financial assets that are designated as available for sale, and are subsequently measured at fair value at Statement of Financial Position date, except for investments in equity instruments that do not have quoted market prices in an active market, and whose fair value cannot be reliably measured, which shall be measured at cost. Any adjustment is recorded in the Statement of Changes in Net Assets in the period in which it arises. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. The fair value of financial instruments classified as available-for-sale is their quoted bid price at the Statement of Financial Position date.
- Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a non-current asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

MARULENG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.10 FINANCIAL INSTRUMENTS (cont)

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

1.10.2.1 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

1.10.2.2 Trade payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

1.10.2.3 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.10.3 Impairment

- An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

1.11 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised when the municipality has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

MARULENG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.11 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (cont)

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the location, function, and approximate number of employees who will be compensated for terminating their services;

- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The municipality has complied with the transitional provisions in Directive 4 of February 2008, on initial adoption of the standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets, GRAP 19, in order to comply fully with this standard..

1.12 LEASES

1.12.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. The aggregate benefit of incentives of Operating lease are recognised as a reduction of rental expense on a straight-line basis over the term of the relevant lease.

1.12.2 The Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

1.13 REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances

1.13.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges

Flat rate service charges relating water which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read.

MARULENG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.13 REVENUE RECOGNITION (cont)

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Service charges from sewerage and sanitation are based on the size of the property, number of dwelling on each property and connection, using the tariffs approved by Council and are levied monthly.

Sale of goods

Revenue from the sale of goods is recognised when substantially all the risks and rewards of ownership of the goods is passed to the consumer.

Revenue from the sale of erven is recognised when all conditions associated with the deed of sale have been met.

Interest

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset.

Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when such amounts are incurred.

1.13.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Rates (including collection charges and penalty interest)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income.

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Public donations and contributions

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Deferred income relating to government grants are recognised on the following bases:

- Capital contributions to property, plant and equipment: Credited on a systematic basis to the Statement of financial Performance based on the estimated useful life of the plant and equipment.
- Income-related grants subsidising expenses: Credited to the Statement of Financial Performance as revenue when the related expense is recognised

Contributed property, plant and equipment is recognised at fair value, when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

MARULENG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.13 REVENUE RECOGNITION (cont)

Other

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

The municipality complied with Directive 4 of February 2008, on initial adoption of the standard of on Revenue from Exchange Transactions, GRAP 9, and has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Government grants, transfers and donations

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

1.14 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.15 EMPLOYEE BENEFITS

1.15.1 Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences, non-monetary benefits such as medical aid and performance plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

1.15.2 Termination Benefits

Termination benefits are recognised when actions have been taken to indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

1.15.3 Retirement benefits

The municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Post employment medical care benefits

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

MARULENG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.16 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 VALUE ADDED TAX (VAT)

The municipality accounts for Value Added Tax on the payments basis.

1.21 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment
Recoverable amounts of property, plant and equipment
Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)
Provision for doubtful debts
Impairment of assets
Provision for long-term service award
Other

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets
Provisions
Other

MARULENG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2010 R	2009 R	
2. INVENTORIES			
Consumable stores - at cost	<u>361 356</u>	<u>219 603</u>	
3. CONSUMER DEBTORS			
	Gross Balances	Provision for Doubtful Debts	Net Balance
30 June 2010			
Service debtors			
Rates	7 880 060	(2 740 564)	5 139 496
Water	632 869	(220 102)	412 767
Sewerage	118 569	(41 236)	77 333
Refuse	231 219	(80 414)	150 805
VAT	171 086	(59 501)	111 585
Other	434 540	(151 126)	283 414
Total	<u>9 468 343</u>	<u>(3 292 945)</u>	<u>6 175 398</u>
30 June 2009			
Service debtors			
Rates	6 207 665	(2 300 288)	3 907 377
Water	465 036	(172 322)	292 714
Sewerage	123 045	(45 595)	77 450
Refuse	146 643	(54 339)	92 304
VAT	117 562	(43 563)	73 999
Other	1 829 242	(677 837)	1 151 405
Total	<u>8 889 194</u>	<u>(3 293 945)</u>	<u>5 595 249</u>
Debtors Age Analysis			
Rates			
Current (0 - 30 days)		725 599	507 436
31 - 60 days		553 321	481 511
61 - 90 days		482 026	370 894
91 - 120 days		409 643	351 996
120 days +		5 709 471	4 495 828
Total		<u>7 880 060</u>	<u>6 207 665</u>
Water and sewerage			
Current (0 - 30 days)		131 450	(276 197)
31 - 60 days		108 295	90 133
61 - 90 days		19 867	69 531
91 - 120 days		43 726	61 782
120 days +		448 100	642 780
Total		<u>751 438</u>	<u>588 029</u>
CONSUMER DEBTORS (cont)			
Refuse and other			
Current (0 - 30 days)		546 237	1 524 089
31 - 60 days		8 859	77 700
61 - 90 days		(31 508)	68 609
91 - 120 days		(68 939)	(272 559)
120 days +		382 196	695 662
Total		<u>836 845</u>	<u>2 093 500</u>

MARULENG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2010 R	2009 R
4. OTHER RECEIVABLES		
Sundry debtors	417 120	721 891
Deposits	6 943	6 943
Total Other Receivables	424 063	728 834
5. VAT RECEIVABLE		
VAT receivable	311 111	672 627
6. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash on hand	710	712
Cash at bank	8 780 478	53 579
Call deposits	1 831 608	3 689 982
	10 612 796	3 744 273
Bank overdraft	-	736 947
The municipality has the following bank accounts:		
Current account (primary bank account)		
Bank: Standard Bank - Hoedspruit Branch		
Account number: 033355487000		
Bank statement balance at beginning of year	1 486 869	4 336 214
Bank statement balance at end of year	11 119 121	1 486 869
Cash book balance at beginning of year	(736 947)	847 395
Cash book balance at end of year	8 780 478	(736 947)
Market Link Account		
Bank: Standard Bank - Hoedspruit Branch		
Account number: 348213387		
Bank statement balance at beginning of year	27 759	25 282
Bank statement balance at end of year	-	27 759
Cash book balance at beginning of year	27 759	25 282
Cash book balance at end of year	-	27 759
RDP Housing Account		
Bank: Standard Bank - Hoedspruit Branch		
Account number: 131789244		
Bank statement balance at beginning of year	18 438	17 193
Bank statement balance at end of year	-	18 438
Cash book balance at beginning of year	18 438	17 193
Cash book balance at end of year	-	18 438

MARULENG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2010 R	2009 R
6. CASH AND CASH EQUIVALENTS (cont)		
LED Stone Crushing Account		
Bank: Standard Bank - Hoedspruit Branch		
Account number: 230115721		
Bank statement balance at beginning of year	7 178	7 928
Bank statement balance at end of year	<u>-</u>	<u>7 178</u>
Cash book balance at beginning of year	7 178	7 928
Cash book balance at end of year	<u>-</u>	<u>7 178</u>
Licencing Department Account		
Bank: Standard Bank - Hoedspruit Branch		
Account number: 330920146		
Bank statement balance at beginning of year	205	748 141
Bank statement balance at end of year	<u>-</u>	<u>205</u>
Cash book balance at beginning of year	205	748 141
Cash book balance at end of year	<u>-</u>	<u>205</u>

MARULENG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

7. PROPERTY, PLANT & EQUIPMENT

OWNED ASSETS:

7.1 Reconciliation of Carrying Value 30 June 2010	Buildings R	Infrastructure R	Community	Other Assets R	Total R
Carrying values at beginning of the year	22 418 185	30 608 382	1 872 295	3 732 264	58 631 126
Cost	24 536 339	31 392 128	1 874 820	9 094 112	66 897 399
Accumulated depreciation	(2 118 154)	(783 746)	(2 525)	(5 361 848)	(8 266 273)
Acquisitions	1 947 774	18 350 617		939 347	21 237 738
Capital under construction	880 541	762 232	317 020		1 959 793
Depreciation	(879 281)	(1 868 609)	(2 525)	(1 062 015)	(3 812 430)
Carrying value of disposals	-	-		-	-
Cost					
Accumulated depreciation					
Carrying value at end of the year	24 367 219	47 852 622	2 186 790	3 609 596	78 016 227
Cost	27 364 654	50 504 977	2 191 840	10 033 459	90 094 930
Accumulated depreciation	(2 997 435)	(2 652 355)	(5 050)	(6 423 863)	(12 078 703)

Reconciliation of Carrying Value 30 June 2009	Buildings R	Infrastructure R	Community	Other Assets R	Total R
Carrying values at beginning of the year	14 145 875	31 117 999	1 874 820	3 982 319	51 121 013
Cost	15 696 278	31 392 128	1 874 820	8 376 475	57 339 701
Accumulated depreciation	(1 550 403)	(274 129)		(4 394 156)	(6 218 688)
Acquisitions	8 840 061			717 637	9 557 698
Depreciation	(567 751)	(509 617)	(2 525)	(967 692)	(2 047 585)
Carrying value of disposals					0
Cost					0
Accumulated depreciation					0
Carrying value at end of the year	22 418 185	30 608 382	1 872 295	3 732 264	58 631 126
Cost	24 536 339	31 392 128	1 874 820	9 094 112	66 897 399
Accumulated depreciation – cost	(2 118 154)	(783 746)	-2 525	(5 361 848)	(8 266 273)

FINANCE LEASE ASSETS:

	2010	2009
7.2 Reconciliation of Carrying Value		
Carrying values at beginning of the year	97 578	197 410
Cost	314 399	314 399
Accumulated depreciation	(216 821)	(116 989)
Acquisition	337 494	
Depreciation	(195 691)	(99 832)
Carrying value of disposals	(6 302)	
Cost	(222 592)	
Accumulated depreciation	216 290	
Carrying value at end of the year	233 079	97 578
Cost	429 301	314 399
Accumulated depreciation	(196 222)	(216 821)

The above office equipment is pledged as security for deemed finance leases.

Total property, plant and equipment	78 249 306	58 728 704
--	-------------------	-------------------

7.3 Transitional provisions in terms of Directive 4

The Municipality has taken advantage of the Property, Plant and Equipment transitional provisions in terms of paragraphs .75 and .78 of Directive 4 of February 2008. The three year transitional period lapses on 30 June 2011. The municipality has appointed a service provider to unbundle the assets and this exercise will be completed in the 20010/11 financial year.

MARULENG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2009

	2010 R	2009 R
8. INTANGIBLE ASSETS		
Computer software		
Reconciliation of Carrying Value		
Carrying values at beginning of the year	-	-
Cost	-	-
Accumulated amortisation	-	-
Acquisitions	49 500	
Amortisation	(16 500)	-
Carrying value at end of the year	33 000	-
Cost	49 500	-
Accumulated amortisation	(16 500)	-
9. TRADE AND OTHER PAYABLES		
Trade creditors	1 146 167	976 841
Amounts received in advance	1 161 845	941 464
Staff leave	848 101	848 101
Retentions	2 305 101	-
Unknown deposits	204 671	1 229 964
Other (specify)	328 960	544 927
Total Trade and Other Payables	5 994 844	4 541 297
10. CONSUMER DEPOSITS		
Water and electricity	138 936	135 063
No interest is paid on consumer deposits.		
11. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Conditional Grants from other spheres of Government		
Finance Management Grant	486 685	622 231
Municipal Systems Improvement Grant	524 127	482 990
Municipal Infrastructure Grant	4 283 026	
European Union	-	500 019
Grant - community development workers	354 334	354 334
Total Conditional Grants and Receipts	5 648 171	1 959 574
See note 17 for the reconciliation of grants from other spheres of government.		
These amounts are invested in a ring-fenced investment until utilised.		
12. PROVISION		
Provision for performance bonuses	366 190	366 190
Performance bonuses are paid one year in arrears as the assessment of eligible employees has not taken place at the reporting date.		

MARULENG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2009

	2010 R	2009 R
13. FINANCE LEASE LIABILITY		
	Minimum lease payment	Future finance charges
		Present value of lease payments
30 June 2010		
Amounts payable under finance leases		
Within one year	142 309	21 178
Within two to five years	133 399	7 580
	<u>275 708</u>	<u>28 758</u>
Less: Amount due for settlement within 12 months (current portion)		<u>(121 131)</u>
		<u>125 819</u>
30 June 2009		
Amounts payable under finance leases		
Within one year	101 506	8 526
Within two to five years	18 030	726
	<u>119 536</u>	<u>9 252</u>
Less: Amount due for settlement within 12 months (current portion)		<u>(92 980)</u>
		<u>17 304</u>
The liability is secured by office equipment under deemed finance leases with a carrying value of R249 950 (2009: R110 284). The effective interest rate is 11% and is repayable in 36 equal instalments. The last instalment is payable during June 2012.		

14. PROPERTY RATES

Property rates levied	<u>8 411 056</u>	<u>6 566 358</u>
VALUATIONS	R000's	R000's
Residential	1 413 327 670	1 158 446 858
Commercial	232 112 050	201 061 100
State	459 039 200	143 254 000
Agricultural	1 319 360 355	1 600 990 472
Other	64 522 900	6 967 900
	<u>3 488 362 175</u>	<u>3 110 720 330</u>

Valuations on land and buildings are performed every four years. The last valuation roll came into effect on 1 July 2008. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and subdivisions.

Various rates apply for the different categories which are applied to property valuations to determine assessment rates. Rebates of 20% are granted to residential and state property owners. Rates are levied on a monthly basis on property owners.

No interest is charged on arrear accounts.

MARULENG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2009

	2010 R	2009 R
15. SERVICE CHARGES		
Sale of water	2 182 578	2 017 274
Sewerage levies	214 674	195 376
Refuse removal	1 613 295	1 440 799
	<u>4 010 548</u>	<u>3 653 449</u>
16. FINANCE INCOME		
Cash and cash equivalents	2 127	3 723
External investments	156 940	425 794
	<u>159 067</u>	<u>429 517</u>
17. GOVERNMENT SUBSIDIES & GRANTS		
<i>Operating Grants</i>	38 563 959	32 348 266
Equitable share	32 310 578	23 761 143
Finance management Grant	1 135 546	507 275
Municipal Systems Improvement Grant	693 863	308 815
Mopani District Municipality	3 460 440	5 578 871
Other	963 532	2 192 162
<i>Capital Grants</i>		
Municipal Infrastructural Grant	16 368 974	20 785 000
Total Government Grants & Subsidies	<u>54 932 934</u>	<u>53 133 266</u>
17.1 <i>Equitable Share</i>		
In terms of the Constitution, this is an unconditional grant used to subsidise the provision of basic services to indigent community members.		
17.2 <i>Finance Management Grant</i>		
Balance unspent at beginning of year	622 231	629 506
Current year receipts	1 000 000	500 000
Conditions met – transferred to revenue	(1 135 546)	(507 275)
Unspent amount transferred to liabilities	<u>486 685</u>	<u>622 231</u>
(see note 11)		
This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met. No funds have been withheld.		
17.3 <i>Municipal Systems Improvement Grant</i>		
Balance unspent at beginning of year	482 990	56 805
Current year receipts	735 000	735 000
Conditions met – transferred to revenue	(693 863)	(308 815)
Unspent amount transferred to liabilities	<u>524 127</u>	<u>482 990</u>
(see note 11)		
The purpose of the grant is for institutional systems. No funds were withheld or delayed.		
17.4 <i>Municipal Infrastructure Grant (MIG)</i>		
Balance unspent at beginning of year	-	-
Current year receipts	20 652 000	20 785 000
Conditions met – transferred to revenue	(16 368 974)	(20 785 000)
Unspent amount transferred to liabilities	<u>4 283 026</u>	<u>-</u>
This grant was used to construct municipal infrastructure to provide basic services for the benefit of poor households. The conditions of the grant were met. No funds have been withheld.		

MARULENG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2009

	2010 R	2009 R
17. GOVERNMENT SUBSIDIES & GRANTS (cont)		
17.5 Mopani District Municipality		
Balance unspent at beginning of year		-
Current year receipts	3 460 440	5 578 871
Conditions met – transferred to revenue	<u>(3 460 440)</u>	<u>(5 578 871)</u>
	<u>-</u>	<u>-</u>
The grant was used for free basic electricity, fuel for water water tanks, subsidy of salaries from the Bohlabela District Municipality and part payment of Section 57 Managers.		
17.6 European Union		
Balance unspent at beginning of year	500 019	1 504 095
Current year receipts	463 513	1 188 000
Conditions met – transferred to revenue	<u>(963 532)</u>	<u>(2 192 076)</u>
	<u>-</u>	<u>500 019</u>
The grant is utilised to establish a K2C biosphere and tourism nodal centre.		
17.7 Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act, (Act 12 of 2009), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
18. OTHER REVENUE		
Building plans	180 873	154 153
Tender documents	51 579	30 965
Sundry	2 147 635	444 699
Total Other Income	<u>2 380 088</u>	<u>629 817</u>
19. EMPLOYEE RELATED COSTS		
Employee related cost - Salaries and wages	15 196 680	13 748 654
Employee related cost - Social contributions	6 734 164	3 800 413
Travel, motor car, accommodation & other allowances	1 005 656	1 750 702
Housing benefits and allowances	169 460	461 567
Leave provision	-	269 496
	<u>23 105 960</u>	<u>20 030 832</u>
There were no advances paid to employees.		
Municipal Manager		
Annual remuneration	397 248	403 464
Performance and other bonuses	32 961	
Travel, subsistence and other allowances	200 978	84 000
Contributions to UIF, medical and pension funds	<u>149 645</u>	<u>137 536</u>
	<u>780 832</u>	<u>625 000</u>
Chief Financial Officer		
Annual remuneration	287 375	285 000
Performance and other bonuses	-	-
Travel, subsistence and other allowances	234 314	190 000
Contributions to UIF, medical and pension funds	<u>1 497</u>	<u>-</u>
	<u>523 186</u>	<u>475 000</u>

MARULENG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2009

	2010 R	2009 R
19. EMPLOYEE RELATED COSTS (cont)		
Director: Technical Services		
Annual remuneration	297 893	277 373
Performance and other bonuses	24 824	23 114
Travel, subsistence and other allowances	150 071	89 760
Contributions to UIF, medical and pension funds	92 520	84 753
	<u>565 308</u>	<u>475 000</u>
Director: Community Services		
Annual remuneration	296 824	277 373
Performance and other bonuses	24 824	23 114
Travel, subsistence and other allowances	163 554	89 760
Contributions to UIF, medical and pension funds	92 520	84 753
	<u>577 722</u>	<u>475 000</u>
Director: Corporate Services		
Annual remuneration	244 530	277 373
Performance and other bonuses	-	23 114
Travel, subsistence and other allowances	259 551	89 760
Contributions to UIF, medical and pension funds	70 467	84 753
	<u>574 548</u>	<u>475 000</u>
Director: Spatial Development and Planning		
Annual remuneration	207 400	190 208
Performance and other bonuses	17 189	15 850
Travel, subsistence and other allowances	222 505	190 000
Contributions to UIF, medical and pension funds	90 314	78 942
	<u>537 408</u>	<u>475 000</u>
No performance bonuses were paid out in terms of Section 57 of the Municipal Systems Act.		
20. REMUNERATION OF COUNCILLORS		
Mayor	636 641	523 091
Speaker	418 969	419 615
Executive Committee members	966 657	876 794
Councillors	3 323 845	3 148 470
	<u>5 346 112</u>	<u>4 967 970</u>
The Mayor, Speaker and Chief Whip are full time. Each is provided with an office and secretarial support at the cost of Council.		
The Mayor has use of a Council owned vehicle for official duties. The Mayor also has use of a Council owned house.		
21. DEPRECIATION AND AMORTISATION EXPENSE		
Property, plant and equipment	4 008 121	2 147 418
Intangible assets	16 500	-
	<u>4 024 621</u>	<u>2 147 418</u>
22. FINANCE COST		
Finance leases	40 687	20 838
Borrowings	5 797	-
	<u>46 484</u>	<u>20 838</u>

MARULENG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2009

	2010 R	2009 R
23. BULK PURCHASES		
Water	<u>1 244 094</u>	<u>796 584</u>
24. GENERAL EXPENSES		
Included in general expenses is the following:-		
Advertising	140 510	378 038
Audit fees	1 511 531	1 311 836
Bank charges	118 408	93 795
Computer expenses	6 883	118 733
Electricity	952 475	627 355
Free basic electricity	392 348	1 409 407
Fuel	464 709	870 082
Functions and events	194 849	463 597
Insurance	985 545	580 771
Legal expenses	242 961	221 033
Maruleng show expenditure		443 977
Membership fees	-	64 856
Printing and stationery	115 333	397 968
Professional fees	2 994 633	2 057 757
Stores and material	128 492	383 574
Telephone & cellphone costs	680 144	550 822
Training	54 992	193 505
Other	2 982 478	3 178 117
	<u>11 966 291</u>	<u>13 345 223</u>
25. CONTRACTED SERVICES		
Refuse removal service costs	2 490 433	2 152 687
Security costs	1 090 681	838 231
	<u>3 581 114</u>	<u>2 990 918</u>
25. GAIN/(LOSS) ON DISPOSAL OF ASSETS		
Property, plant and equipment	<u>(6 302)</u>	<u>(138 192)</u>
26. CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GRAP		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP: -		
26.1 Statutory Funds		
Balance previously reported: -		
Insurance Fund		53 400
Trust Fund		7 928
Loans Redeemed and Other Capital Receipts		56 939 614
Bonus provision		121 250
Total (credited to Accumulated Surplus) (see 26.5 below)		<u>57 122 192</u>

MARULENG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2009

	2010 R	2009 R
26. CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GRAP (cont)		
26.2 Property, plant and equipment		
Balance previously reported		
Implementation of GRAP		
Assets transferred to other spheres of government		(8 180 081)
Asset value adjustment		(2 824 341)
Finance leased assets previously not recognised		103 801
Total (debited to Accumulated Surplus) (see 26.5 below)		<u>(10 900 621)</u>
26.3 Current Provisions		
Balance previously reported		<u>(298 179)</u>
Implementation of GRAP		
Transferred from Accumulated Surplus		
Provision for bad debt		(2 995 765)
Total (debited to Accumulated Surplus) (see 26.5 below)		<u>(2 995 765)</u>
26.4 Current Assets		
Balance previously reported		<u>317 265</u>
Implementation of GRAP		
Transferred to Accumulated Surplus		
Other debtor		(317 265)
Total (debited to Accumulated Surplus) (see 26.5 below)		<u>(317 265)</u>
26.5 Accumulated Depreciation		
Balance previously reported		<u>-</u>
Implementation of GRAP		
Backlog depreciation: Infrastructure		(274 129)
Backlog depreciation: Community assets		(1 342 770)
Backlog depreciation: Buildings		(207 633)
Backlog depreciation: Other		(4 511 145)
Total (debited to Accumulated Surplus) (see 26.5 below)		<u>(6 335 677)</u>
26.6 Accumulated Surplus		
Implementation of GRAP		
Transferred from statutory funds (see 26.1 above)		57 122 192
Property, plant & equipment adjustments (see 26.2 above)		(10 900 621)
Adjustments to current provision (see 26.3 above)		(2 995 765)
Adjustments to current assets (see 26.4 above)		(317 265)
Backlog depreciation (see 26.5 above)		(6 335 677)
Total		<u>36 572 864</u>
27. CASH GENERATED FROM/(UTILISED IN) OPERATIONS		
Net surplus for the year	21 932 003	19 501 678
Adjustment for:		
Prior year adjustments		517 618
Depreciation and amortisation charges	4 024 621	2 147 418
Loss on disposal of assets	6 302	138 192
GRAP implementation		(11 977 940)
Finance income	(159 067)	(429 517)
Finance costs	46 484	20 838
Operating surplus before working capital changes	<u>25 850 342</u>	<u>9 918 287</u>
(Increase)/decrease in inventories	(141 753)	0
(Increase)/decrease in consumer debtors	(580 149)	(4 251 237)
(Increase)/decrease in other receivables	304 771	
(Increase)/decrease in VAT receivable	361 516	
Increase/(decrease) in conditional grants	3 688 597	
Increase/(decrease) in trade payables and other payables	1 453 547	(49 273)
Increase/(decrease) in consumer deposits	3 873	
Net cash from operating activities	<u>30 940 745</u>	<u>5 617 777</u>

MARULENG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2009

	2010 R	2009 R
28. ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003		
28.1 Contribution to SALGA		
Council membership fees payable	126 480	64 856
Amount paid current year	<u>(126 480)</u>	<u>(64 856)</u>
Balance unpaid (included in creditors)	<u><u>-</u></u>	<u><u>-</u></u>
28.2 Audit Fees		
Current year audit fee	1 511 531	1 311 836
Amount paid current year	<u>(1 511 531)</u>	<u>(1 311 836)</u>
Balance unpaid (included in creditors)	<u><u>-</u></u>	<u><u>-</u></u>
28.3 VAT		
VAT is payable on the cash basis. VAT input receivables and VAT output receivable are shown in notes 5. All VAT returns have been submitted by the due date throughout the year.		
28.4 PAYE & UIF		
Current payroll deductions	2 682 033	2 801 968
Amount paid current year	<u>(2 682 033)</u>	<u>(2 801 968)</u>
Balance unpaid	<u><u>-</u></u>	<u><u>-</u></u>
28.5 Pension and Medical Aid Deductions		
Current payroll deductions	4 512 494	3 723 513
Amount paid current year	<u>(4 512 494)</u>	<u>(3 723 513)</u>
Balance unpaid	<u><u>-</u></u>	<u><u>-</u></u>
29. COUNCILLOR'S ARREAR CONSUMER ACCOUNTS		
Councillors do not have municipal accounts with the municipality.		
30. COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for	<u><u>4 044 988</u></u>	<u><u>26 888 444</u></u>
The expenditure will be financed from:		
- Government Grants		5 187 183
- Internal sources	<u>4 044 988</u>	<u>21 701 261</u>
	<u><u>4 044 988</u></u>	<u><u>26 888 444</u></u>
31. DEVIATIONS FROM SUPPLY CHAIN		
Refer to Appendix E for details relating to deviation from supply chain processes.		

MARULENG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2009

	2010 R	2009 R
32. CONTINGENT LIABILITIES		
32.1 Liz De Beer	100 000	
Unpaid performance bonus claim from previous municipal manager.		
32.2 Lekhale	2 358 798	
contractor collecting waste in rural areas. Contract terminated and municipality reinstated but contractor refused		
	<u><u>2 458 798</u></u>	<u><u>-</u></u>
33. CONTINGENT ASSET		
Biz Africa	<u><u>150 000</u></u>	<u><u>125 000</u></u>
Contribution to the Mayor's Bursary Fund by Kamogelo Centre's tenants		
34. COMPARISON WITH THE BUDGET		
The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure D(1) and D(2).		

MARULENG LOCAL MUNICIPALITY

**APPENDIX A
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2010**

	HISTORICAL COST					ACCUMULATED DEPRECIATION				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	
INFRASTRUCTURE	31 392 128	18 350 617	762 232	-	50 504 977	783 746	1 868 609	-	2 652 355	47 852 622
Roads, pavements, bridges & stormwater	31 392 128	18 350 617	762 232		50 504 977	783 746	1 868 609		2 652 355	47 852 622
COMMUNITY ASSETS	26 411 160	1 947 773	1 197 562	-	29 556 495	2 120 679	881 806	-	3 002 485	26 554 010
Buildings	23 300 040	1 947 773	880 541		26 128 354	2 120 679	879 281		2 999 960	23 128 394
Recreational facilities	3 111 120		317 021		3 428 141		2 525		2 525	3 425 616
OTHER ASSETS	9 408 510	939 347	-	-	10 347 857	5 578 669	1 062 015	-	6 640 684	3 707 173
Computer equipment	1 078 925	17 800			1 096 725	646 660	109 106		755 766	340 959
Garden equipment	30 439				30 439	30 439			30 439	-
Kitchen equipment	31 391				31 391	31 391			31 391	-
Office equipment	633 561	11 720			645 281	605 011	9 839		614 850	30 431
Motor vehicles	3 549 084	777 500			4 326 584	2 537 284	522 823		3 060 107	1 266 477
Office furniture	2 288 532	79 120			2 367 652	1 247 503	253 114		1 500 617	867 035
Rescue equipment	1 320				1 320	1 320			1 320	-
Plant and equipment	1 795 258	53 207			1 848 465	479 061	167 133		646 194	1 202 271
TOTAL	67 211 798	21 237 737	1 959 794	-	90 409 329	8 483 094	3 812 430	-	12 295 524	78 113 805

MARULENG LOCAL MUNICIPALITY

**APPENDIX B
SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2010**

	HISTORICAL COST					ACCUMULATED DEPRECIATION				
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
	R	R		R	R	R	R	R	R	R
EXECUTIVE COUNCIL	797 154	5 950	-	-	803 104	549 188	66 380	-	615 568	187 536
Executive Department	42 282	-			42 282	23 001	3 449		26 450	15 832
Mayors Department	754 872	5 950			760 822	526 187	62 931		589 118	171 704
FINANCE & ADMINISTRATION	1 641 366	370 112	-	222 592	1 788 886	982 162	323 182	216 290	1 089 054	699 832
Finance	496 237	71 580			567 817	220 991	81 299		302 290	265 527
Administrative services	989 724	244 847		222 592	1 011 979	674 082	214 341	216 290	672 133	339 846
Municipal Manager	109 100	4 750			113 850	59 871	12 640		72 511	41 339
Human Resources	46 305	48 935			95 240	27 218	14 902		42 120	53 120
COMMUNITY DEVELOPMENT	25 119 743	2 116 281	1 197 561	-	28 433 585	2 914 201	977 714	-	3 891 915	24 541 670
DISASTER & COMMUNICATION	18 696	-			18 696	10 191	1 691		11 882	6 814
PLANNING	546 698	1 751	-	-	548 449	460 471	32 585	-	493 056	55 393
TECHNICAL DEPARTMENT	39 088 142	19 130 637	762 233	-	58 981 012	3 566 882	2 623 069	-	6 189 951	52 791 061
TOTAL	67 211 799	21 624 731	1 959 794	222 592	90 573 732	8 483 095	4 024 621	216 290	12 291 426	78 282 306

MARULENG LOCAL MUNICIPALITY

APPENDIX C DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

2009 Actual Income	2009 Actual Expenditure	2009 Actual Surplus/ (Deficit)		2010 Actual Income	2010 Actual Expenditure	2010 Actual Surplus/ (Deficit)
R	R	R		R	R	R
-	-	-	EXECUTIVE COUNCIL	-	5 616 495	(5 616 495)
			Executive Department		88 439	(88 439)
			Mavros Department		5 528 056	(5 528 056)
65 596 503	12 341 311	53 255 192	FINANCE & ADMINISTRATION	72 001 516	21 490 027	50 511 490
65 596 503	100 893	65 495 610	Finance	71 903 072	11 309 641	60 593 431
	4 220 259	(4 220 259)	Administrative services	98 444	6 242 700	(6 144 255)
	8 020 159	(8 020 159)	Municipal Manager		3 937 686	(3 937 686)
	28 167 472	(28 167 472)	COMMUNITY DEVELOPMENT	-	6 996 014	(6 996 014)
	1 614 959	(1 614 959)	PLANNING	206 666	3 835 139	(3 628 473)
	3 971 083	(3 971 083)	TECHNICAL DEPARTMENT	61 404	12 399 908	(12 338 504)
65 596 503	46 094 825	19 501 678	Total	72 269 586	50 337 583	21 932 004

MARULENG LOCAL MUNICIPALITY

**APPENDIX D (1)
ACTUAL OPERATING VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010**

	2010 Actual R	2010 Budget R	2010 Variance R	2010 Variance %	Explanations of significant variances greater than 10% versus budget
REVENUE					
Property rates	8 411 056	5 670 000	2 741 056	48.34	
Service charges	4 010 548	2 934 000	1 076 548	36.69	
Rental of facilities and equipment	487 679	666 480	(178 801)		
Finance income	159 067	466 800	(307 733)	(65.92)	
Fines	1 378	0	1 378		
Revenue for agency services	1 886 837	4 500 000	(2 613 163)	(58.07)	
Government grants & subsidies – operating	38 563 959	38 556 225	7 734	0.02	
Government grants & subsidies – capital	16 368 974	20 545 019	(4 176 045)	(20.33)	
Other revenue	2 380 088	12 321 850	(9 941 762)	(80.68)	
Total Revenue	72 269 586	85 660 374	(13 390 788)	(15.63)	
EXPENDITURE					
Employee related costs	23 105 960	22 341 412	764 548	3.42	
Remuneration of councillors	5 346 112	5 673 813	(327 701)	(5.78)	
Depreciation	4 024 621	0	4 024 621		GRAP implementation
Repairs & maintenance	1 016 606	1 487 760	(471 154)	(31.67)	
Finance costs	46 484	0	46 484		
Bulk purchases	1 244 094	3 024 000	(1 779 906)	(58.86)	
General expenses	11 966 291	16 375 599	(4 409 308)	(26.93)	
Total Expenditure	46 750 167	48 902 584	(2 152 417)	(4.40)	
NET SURPLUS/(DEFICIT) FOR THE YEAR	25 519 419	36 757 790	(11 238 371)		

MARULENG LOCAL MUNICIPALITY

**APPENDIX D (2)
ACTUAL CAPITAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2010**

	2010 Actual R	2010 Under Construction R	2010 Total Additions R	2010 Budget R	2010 Variance R	2010 Variance %
EXECUTIVE COUNCIL	5 950	-	5 950	-		
Executive Department						
Mayor's Department	5 950		5 950		5 950	
FINANCE & ADMINISTRATION	370 112	-	370 112	-		
Finance	71 580		71 580		71 580	
Administrative services	244 847		244 847		244 847	
Municipal Manager	4 750		4 750		4 750	
Human resources	48 935		48 935		48 935	
COMMUNITY DEVELOPMENT	2 116 281	1 197 561	3 313 842		3 313 842	
DISASTER & COMMUNICATION	-	-	-			
PLANNING	1 751	-	1 751		1 751	
TECHNICAL DEPARTMENT	19 030 637	762 233	19 792 870			
TOTAL	21 524 731	1 959 794	23 484 525	-	3 691 655	

MARULENG LOCAL MUNICIPALITY

Explanations of significant variances greater than 5% versus budget

MARULENG LOCAL MUNICIPALITY

APPENDIX E DEVIATION FROM SUPPLY CHAIN PROCESSES SUPPLY CHAIN MANAGEMENT REGULATION 36(2) FOR THE YEAR ENDED 30 JUNE 2010

DATE	DEPARTMENT	SUPPLIER	AMOUNT	REASON FOR DEVIATION
28/09/2009	Technical	Hoedspruit towing	4 987.50	One quotation was received
14/08/2009	Finance	Asiphepheni	740 000.00	DPLG through MSIG appointed Delloite(sub -contracted Asiphepheni) for the analysis of the state of the Municipality's FAR and the Municipality appointed Asiphepheni to verify and compile the FAR
30/09/2010	Technical	Hoedspruit towing	21 207.93	Sole service provider around Hoedspruit
28/09/2009	Corporate	Valdrotrade tendering process	55 786.22	SCM could not get 3 service provider for the supply of sewerage air supply unit
28/09/2009	Finance	Forms media independent	107 673.88	The Department of Roads and Transport promised to closed the Traffic Station within 21 days should the Municipality fail to purchase the necessary filling cabinet needed at the station as a result proper SCM procedures could not be followed.
30/06/2010	Technical	Polokwane Equipment	96 376.47	The service provider is the main supplier of the parts (maintanance -grader)
08/01/2010	Technical	Bakakga ba Makhubela	80 000.00	Emergency repair of the Hoedspruit Main Sewarage plant
01/06/2009	Technical	Sekaka electrical	75 707.40	One quotation was obtained due to emergency
30/06/2010	Technical	Mathebeleku Trading	64 921.19	Repair of Borehole at Kampersrus
28/09/2009	Technical	Levtrade International (pty)ltd	5 002.32	there was only one company that sell office first aid kit
06/04/2010	Technical	Bakakga ba Makhubela	54 720.00	Emergency sewer service at Lebamba
21/06/2010	Technical	BMK Electrical	45 963.66	Emergency repair submersible pump at Raptors booster pump
18/01/2010	Technical	Mathebeleku	39 479.00	Repair of Calais Access Bridge